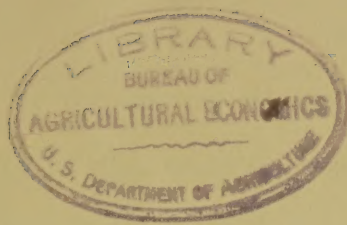


April 15, 1935



## AAA AMENDMENTS IN BRIEF

In response to numerous requests for an explanation of the proposed amendments to the Agricultural Adjustment Act contained in S. 1807, the following statement has been prepared:

The Act As It Stands

The Agricultural Adjustment Act was placed on the statute books at a time when American farmers were on the verge of bankruptcy and the collapse of their purchasing power had seriously impaired the functioning of the economic system as a whole.

The Act brought the centralizing power of government to the aid of farmers, to enable them to do three things indispensable to farm recovery. These were:

- (1) To reduce the price-depressing surpluses in existence at the beginning of 1933.
- (2) To adjust production and keep it in balance with market demand.
- (3) To bargain effectively with distributors and handlers of farm products in order that farmers might get fair prices and a fair deal.

In addition, the Act laid down a mandate that the interests of consumers should be safeguarded.

Under the terms of the Act, production adjustment programs affecting more than 3,000,000 farmers have been carried out. Marketing agreements and licenses affecting several hundred thousand others have also been placed in effect.

While the intent of Congress was evidently to make the provisions of the





Act flexible, so that in one way or another it might be of benefit to all groups of farmers in all parts of the country, experience has shown that it needs to be strengthened at certain points so that some groups may not be left out of its benefits, and the general provisions of the Act made more effective in serving the interests of all agriculture. This, in brief, is the reason why the amendments contained in the bill numbered S. 1807 have been proposed.

#### Purposes of the Amendments

1. The first purpose of the amendments is to make the Act effective for groups of farmers - including producers of dairy products, vegetables and fruits, and other special crops - who otherwise would not be helped.

2. The second purpose is to increase the effectiveness of the Act as related to basic commodities, <sup>with</sup> changes providing for the coordination of commodity loans and production adjustment programs, to safeguard the interests of both producers and consumers through the "ever-normal granary" plan.

3. The third purpose is to protect consumers against unwarranted price increases by processors and handlers of farm products.

#### Assisting Producers Through Marketing Agreements and Licenses

Producers of milk, vegetables, fruits, nuts, and some other commodities do not find it practicable to work through production adjustment programs of the type used by producers of corn, hogs, wheat, cotton, tobacco and some other commodities.

But these producers - and there are at least 2 million of them - can come under the Agricultural Adjustment Act through marketing agreements between the Secretary of Agriculture and the processors or handlers of their products. This is the only way devised thus far by which they can cooperate effectively.

However, if a majority of the processors or handlers of a given commodity should refuse to cooperate with the producers of that commodity by participation





in a marketing agreement, the producers as a group could do nothing if the Government lacked power to carry out the farmers' plan through licensing the processors. The producers in that case would be forced to deal on whatever terms the processors or handlers wished to impose.

One of the chief purposes of Section 3 of S. 1807 is to give the Government authority to license the handlers concerned in such a case.

Section 3 limits this Government power, however. This power could not be used unless it were the only practical means of making effective the declared policy of Congress for the particular group of producers concerned; unless two-thirds, by number or volume, of the producers concerned favored the proposed marketing agreement; unless a hearing had been held on the marketing agreement; and unless the President of the United States specifically approved the use of the power in that particular case.

Strengthening the Act For Producers  
Of Basic Commodities

Sections 1 and 2 would authorize the Secretary of Agriculture to make rental or benefit payments for "adjustment" rather than "reduction" in acreage or production for market.

Section 2 would also provide for the coordination of commodity loans and production adjustment programs, in the direction of the "Ever Normal Granary" plan. In granting loans to farmers on their products, the Government may come into possession of considerable quantities of these products, pledged by farmers as security.

It may be advisable to hold these products until the market can absorb them normally. In many cases, especially under favorable market conditions, farmers would be glad to have their security back again, to use on the farm or sell as they wished.

One purpose of Section 2 is to make this a legal operation under the





Agricultural Adjustment Act. The products that had been acquired by the Government could be returned to farmers when they so desired, in place of cash benefit payments.

The Government would get its money back from the appropriate processing tax, just as it does in the case of a cash benefit payment on a given commodity.

Under this plan, the excess from a large harvest could be held over to balance the shortage of a lean harvest, such as that following drought. This would apply not only to human food, but to feed for animals.

Violent price swings would be materially reduced. The nation would have reserve supplies of certain important crops on hand to meet great emergencies.

#### Safeguarding the Interests of Consumers

The "Ever-Normal Granary" plan, described above, has for one of its most important objects the protection of consumers by safeguarding their food supply.

Protection for the consumers would be provided in another way, through Section 4, which authorizes the Secretary of Agriculture to examine the books and records of processors and handlers who are parties to a marketing agreement or who come under the terms of a license. This provision seeks to insure that marketing agreements and licenses will not be used merely as a means of increasing returns to processors and handlers at the expense of farmers and consumers.

Those who operate through a marketing agreement under a license are in effect granted exemption from the anti-trust laws. The proposed amendment recognizes that in granting exemption from these laws, the Government should have the power to examine books and records, if necessary, in order to determine whether or not the privilege of exemption is being abused.

In order to know whether the interests of consumers are being properly safeguarded, it is necessary to know what happens between the time a given product is sold by the producer and the time it is bought by the consumer.





Section 4 sets limitations on this reserve power of the Government. It could be used only for definite purposes. Information so obtained would have to be kept confidential, except that relevant information might be disclosed in a suit or administrative hearing.

#### Miscellaneous Provisions

Section 5 would make it mandatory to have the consent of two-thirds, by number or volume, of the producers affected before any marketing agreement or license providing for producers' quotas could be placed in effect; provides for the termination of a marketing agreement at the will of a majority of producers; and provides that in cases where data are not available for the pre-war period the post-war period, from August 1919 to July 1929, shall be used in determining the purchasing power of farm products under a marketing agreement or license.

Section 6 provides specifically for the recognition and encouragement of farm cooperatives in carrying out provisions of the Agricultural Adjustment Act.

